

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 OMB-01 SS-20 NSC-10 IO-14 COME-00 EB-11 ACDA-19

DRC-01 /157 W

----- 071090

R 072345Z DEC 73

FM USMISSION NATO

TO SECSTATE WASHDC 3177

SECDEF WASHDC

INFO ALL NATO CAPITALS 3561

AMEMBASSY MADRID

USCINCEUR

USNMR SHAPE

USLOSACLANT

CINCLANT

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6006

E.O. 11652: GDS: 12-31-79

TAGS: PFOR, NATO

SUBJECT: DPC MINISTERIAL MEETING DECEMBER 7, 1973: AGENDA ITEM VI,
FINANCIAL PROBLEMS ARISING FROM THE STATIONING OF UNITED
STATES FORCES IN EUROPE

BEGIN SUMMARY. MINISTERS HAD DISCUSSION OF BURDEN-
SHARING ISSUE AND AGREED TO INSTRUCT PERM REPS TO ATTEMPT TO
ARRIVE AT SUBSTANTIAL PROGRESS TOWARD A NATO SOLUTION BY MID-FEBRUARY

SEVERAL MINISTERS INDICATED SUPPORT OF A MULTILATERAL SOLUTION
INVOLVING DECREASED US SHARES IN NATO BUDGETS AND THE INFRASTRUCTURE
PROGRAM. OTHERS NOTED SUBSTANTIAL PROGRESS IN INCREASING PROCURE-
MENT OF MILITARY ITEMS IN THE US. END SUMMARY.

1. SYG LUNS HELPFULLY INTRODUCED BURDENSARING ITEM AS ONE OF THE
MOST IMPORTANT ISSUES FACING ALLIANCE. HE NOTED THAT WORKING
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GROUP REPORT HAS BEEN EXAMINED BY PERM REPS, MANY OF WHOM HAD
MADE USEFUL STATEMENTS IN THE COUNCIL. HE DREW ATTENTION TO THE
CONTINUING US/FRG BILATERAL OFFSET NEGOTIATIONS AND HOPED FOR
POSITIVE CONCLUSIONS THEREOF. HE ASKED THAT MINISTERS TRANSLATE

THE POSITIVE STATEMENTS OF THEIR PERM REPS INTO FORWARD ACTION IN ORDER TO INDICATE A COMMON ALLIANCE INTENT TO RESOLVE THE US PROBLEM. MOST PRESSING PROBLEM WAS COMMUNIQUE LANGUAGE. WAS THE PUBLIC TO BE SIMPLY INFORMED THAT BURDENSARING HAD BEEN DISCUSSED AND WOULD CONTINUE TO BE DISCUSSED OR THAT POSITIVE DECISIONS HAD BEEN MADE? HE HOPED THE LATTER WOULD BE THE CASE.

2. SCHLESINGER, US, NOTED THAT HIS STATEMENT, EARLIER IN THE MEETING, HAD SUGGESTED BURDENSARING BE VIEWED IN ITS LARGER ASPECTS. THE SYMBOLIC ASPECT OF THE JACKSON-NUNN AMENCMENT MIGHT BE AS IMPORTANT AS THE FINANCIAL OR ACCOUNTING ASPECT. THE US. PUBLIC BELIEVED THAT NOT ENOUGH DEFENSE EFFORT HAD BEEN EXPENDED BY OUR EUROPEAN ALLIES, AS CONFIRMED IN GEN STEINHOFF'S MORNING STATEMENT CONCERNING FUTURE EXPENDITURES. IT WAS APPARENT THAT THE ALLIANCE VIEWED THE PRESENCE OF SUBSTANTIAL US TROOPS IN EUROPE AS IMPORTANT FOR THE THEIR DEFENSE CONTRIBUTIONS AS WELL AS FOR THE COSMETIC ASPECT. THE US ADMINISTRATION WAS REQUIRED TO REPORT TO CONGRESS BY MID-FEBRUARY NOT ONLY ON THE PROGRESS MADE IN BURDENSARING (CONSIDERED AS A WAY STATION) BUT ALSO ON EFFORTS BY EUROPEAN ALLIES TO IMPROVE NATO'S DEFENSE POSTURE.

3. CARRINGTON, UK, INDICATED THAT UK WAS EXTREMELY CONSCIOUS OF VALUE OF THE US COMMITMENT TO EUROPEAN DEFENSE. HE BELIEVED THAT WITHDRAWAL OF THE US TROOPS WOULD PREVENT EUROPE FROM DEFENDING ITSELF. DESPITE US SELF-INTEREST IN EUROPEAN DEFENSE, THE US WAS JUSTIFIED IN EXPECTING ITS ALLIES TO CONTRIBUTE MORE TO THEIR OWN DEFENSE. CARRINGTON OUTLINED THE EXTREME BURDEN WHICH DEFENSE PUT ON THE UK BUDGET, AND THE UK'S RATHER GREATER EFFORTS TOWARD THE NATO DEFENSE POSTURE THAN THOSE OF OTHER MEMBERS. THIS WAS TO EXPLAIN WHY THE UK COULD NOT FULLY PARTICIPATE IN A NATO BURDENSARING EFFORT WHICH WOULD DEGRADE THE UK DEFENSE POSTURE FOR THE PURPOSE OF TRANSFERRING FUNDS TO THE US. HE CONFIRMED, HOWEVER, THAT THE UK WOULD CONTINUE TO MAKE EXTENSIVE MILITARY PURCHASES IN THE US ON THE ORDER OF THOSE RECOMMENDED IN THE US "ILLUSTRATIVE EXAMPLE" (\$265 MILLION). FINALLY, HE STATED THAT THE US REQUEST FOR BOP RELIEF COULD HAVE TRIGGERED A SIMILAR UK REQUEST WITH PERHAPS EVEN MORE JUSTIFICATION. CONFIDENTIAL

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THE UK HAD DECIDED, HOWEVER, NOT TO MAKE SUCH A REQUEST AND THIS DECISION COULD BE CONSIDERED AS MAKING A SIGNIFICANT CONTRIBUTION TO THE ALLIANCE EFFORT TO RESOLVE THE US PROBLEM.

4. LEBER, FRG, INDICATED THAT THE MANY MONTHS OF DISCUSSIONS IN THE US/FRG OFFSET NEGOTIATIONS HAD BEEN FOLLOWED BY HIS GOVERNMENT WITH GREAT INTEREST AND "PASSION". HE WAS GRATIFIED AT THE US RESTRAINT IN SEEKING ADDITIONAL OFFSET FROM NATO AS CHARACTERIZED BY SCHLESINGER'S INTREPRETATION OF THE REQUIREMENTS UNDER JACKSON-NUNN. THE FRG ACCEPTED THE NEED FOR ADDITIONAL DEFENSE EFFORTS AND COOPERATION IN THE ALLIANCE TO MEET THE SOVIET THREAT. HE WAS PLEASED, THEREFORE, THAT ALL INCREASED DEFENSE EFFORTS WOULD BE TAKEN INTO ACCOUNT IN THE BALANCING OF THE BURDEN-

SHARING LEDGER. HE NOTED THAT, WHILE THE FRG WAS NOT AN IMPOVERISHED COUNTRY, THERE WERE LIMITS IN BURDENSARING BEYOND WHICH FRG COULD NOT GO WITHOUT ENDANGERING ITS OWN LEVEL OF DEFENSE EFFORT. HE RECALLED THE FACT THAT THE FRG HAD BEEN OFFSETTING THE US BOP IN GERMANY FOR SEVERAL YEARS AND HOPED THAT THE PRESENT NEGOTIATIONS WOULD SOON CONCLUDE SUCCESSFULLY. THE FRG WOULD PREFER, HOWEVER, RATHER LONGER-RANGED SOLUTIONS. HE POINTED OUT THAT THIS YEAR THE FRG HAD HAD A PARTICULAR BURDEN IN THE SUPPORT OF EXCHANGE RATES IN WHICH FRG HAD LOST SOME DM 2 BILLION AND SUGGESTED THAT THAT AMOUNT WOULD HAVE SUPPLIED A LARGE PART OF THAT WHICH IS STILL LACKING ON THE US OFFSET. AS AN EXAMPLE OF THE FRG ATTITUDE TOWARD THE FACT THAT MOST OUT-OF-COUNTRY FORCES ARE STATIONED IN FRG, HE SAID THAT FRANCE HAD ALSO ASKED FOR AN OFFSET OF THEIR UNFAVORABLE MILITARY BOP. GERMANY HAD EXPLAINED THAT THE US/FRG OFFSET WAS NOT AN OBLIGATION AND THAT GERMANY'S EFFORTS THEREIN CONTRIBUTED TO THE SECURITY OF THE ENTIRE ALLIANCE INCLUDING FRANCE. HE STATED HOWEVER, THAT THE FRG WAS PREPARED TO CONTRIBUTE TO A COMMON SOLUTION TO THE US BOP PROBLEM BUT THAT HE COULD NOT BE MORE SPECIFIC IN AMOUNTS BECAUSE IT WAS DIFFICULT TO NEGOTIATE "AT FOUR DIFFERENT TABLES".

5. VANDEN BOEYNANTS, BELGIUM, RECALLED THAT GOB AND THE BELGIAN PARLIAMENT HAD AGREED TO A 4 PER CENT INCREASE IN DEFENSE EXPENDITURES IN REAL VALUE (REQUIRING ABOUT 9 PER CENT AT 1973 PRICE LEVELS) BUT THAT BELGIUM'S DEFENSE EXPENDITURES HAD INCREASED BY 12 PER CENT. HE WAS PLEASE TO SEE THAT THE US BOP POSITION HAD IMPROVED FROM ITS PREVIOUS DEPTHS AND BELIEVED CONFIDENTIAL

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THAT THE OIL SITUATION MIGHT LEAD TO CONTINUED IMPROVEMENT. BELGIUM WAS READY, HOWEVER, TO OFFSET ITS FAVORABLE BOP WITH US THROUGH MILITARY PROCUREMENT AND TO PARTICIPATE IN COMMON SOLUTIONS WHICH COULD BE AGREED BY OTHER COUNTRIES. FISHBACH, LUXEMBOURG PERM REP, OBSERVED THAT SOVIETS WERE INCREASING THEIR CAPABILITIES FAR MORE THAN NECESSARY FOR THE DEFENSE OF THEIR HOME TERRITORIES. AT THE SAME TIME THE WEST WAS INCREASINGLY RELUCTANT TO PAY THE PRICE OF ADEQUATE DEFENSE. ALLIANCE WAS NOW FACED WITH FACT THAT JACKSON-NUNN RELATES THE PRESENCE OF US TROOPS IN EUROPE TO EUROPEAN EFFORTS TO RESOLVE THE US PROBLEM. LUXEMBOURG WOULD EQUIP ITS TROOPS WITH THE TOW MISSILE. IN ADDITION, IF OTHERS WOULD AGREE, LUXEMBOURG WOULD HELP BY ASSUMING ITS SHARE OF US COST SHARE REDUCTIONS IN NATO BUDGETS IN THE INFRASTRUCTURE PROGRAM, EITHER THROUGH THE ADDITION OF AN EDIP OR CHANGES IN COST SHARING FORMULAE. RUMSFELD

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DRC-01 /157 W

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R 072345Z DEC 73

FM USMISSION NATO

TO SECSTATE WASHDC 3178

SECDEF WASHDC

INFO ALL NATO CAPITALS 3562

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6. VREDELING, NETHERLANDS, BELIEVED THAT MINISTERS MUST STUDY THE IMPLICATIONS OF THE PRESENT DISCUSSIONS AS WELL AS SOLUTIONS OFFERED. HE HOPED THAT THE US COULD ACCEPT AT THIS TIME AN EXPRESSION OF THE COMMON WILL OF ITS ALLIES TO HELP IN THE BOP AND BUDGET SUPPORT PROBLEMS. A BUDGET SUPPORT ARRANGEMENT WOULD NECESSARILY BE MODEST IN ORDER NOT TO DEGRADE THE NATIONAL AND COMMON DEFENSE OF THE ALLIES. A SOLUTION MUST ALSO BE AD HOC IN VIEW OF PROBABLE BOP DEVELOPMENTS WHICH WOULD FAVOR THE US, PERHAPS AT THE EXPENSE OF EUROPEAN NATIONS. HE CONFIRMED THAT THE NETHERLANDS HAD BOUGHT AND WOULD CONTINUE TO BUY SUBSTANTIAL AMOUNTS OF MILITARY EQUIPMENT FROM THE US. HE NOTED, HOWEVER, THAT FLEXIBILITY WAS REQUIRED IN PROCUREMENT MATTERS IN VIEW OF EUROPEAN COOPERATION. THE NETHERLANDS PREFERRED A MULTILATERAL BUDGET SUPPORT SOLUTION SIMILAR TO EDIP. AS FOR REDUCED US SHARE OF THE NATO BUDGETS, HE BELIEVED THAT AGREEMENT ON NEW FORMULAE WOULD BE DIFFICULT TO ARRIVE AT AND WOULD PRODUCE CONFIDENTIAL

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SMALL GAINS. IF OTHERS AGREED TO REDUCE THE US SHARE IN THE BUDGETS, HOWEVER, NETHERLANDS COULD ACCEPT. FINALLY HE NOTED THAT SOME ALLIES PREFERRED BILATERAL BALANCING OF THEIR ACCOUNTS WITH THE US, AND NETHERLANDS WOULD STUDY THE POSSIBILITY, BUT GREATLY PREFERRED A EUROPEAN SOLUTION. IN ANY CASE, GON WOULD STUDY THE PROBLEM IN A POSITIVE MANNER.

7. SVART, DENMARK, PERM REP, AGREED TO PARTICIPATE IN THE

REVISION OF THE INFRASTRUCTURE AND NATO BUDGET FORMULAE. HE BELIEVED THAT ANY NEW DANISH GOVERNMENT WOULD CONTINUE TO SUPPORT SUCH A SOLUTION DESPITE DENMARK'S BOP DEFICIT. SOLUTIONS WOULD HAVE TO BE PAID FOR, HOWEVER, OUT OF PRESENT DEFENSE BUDGET. HE NOTED THAT DENMARK HAD HISTORICALLY BOUGHT MUCH OF ITS MILITARY EQUIPMENT IN THE US AND THAT THE LEVEL OF PURCHASES COULD CONCEIVABLY INCREASE. FOSTERVOL, NORWAY, NOTED THAT NORWAY HAD A MILITARY BOP DEFICIT WITH THE US. HIS WAS A LARGE COUNTRY WITH A SMALL POPULATION AND GNP. GON MUST BE CAREFUL NOT TO DEGRADE THE DEFENSE OF ITS LONG FRONTIER. THEY RECOGNIZED, HOWEVER, THE US PROBLEM, AND THE IMPORTANCE OF HAVING SUBSTANTIAL US FORCES MAINTAINED IN EUROPE. NORWAY WAS PREPARED THEREFORE, TO ACCEPT ITS SHARE OF US REDUCTIONS IN INFRASTRUCTURE AND NATO BUDGETS AND TO TRY TO INCREASE ITS MILITARY PROCUREMENT FROM THE US.

8. TANASSI, ITALY, WAS PLEASED THAT THE DISCUSSION OF BURDENSARING IN EUROGROUP AND THE DPC HAD BEEN CHARACTERIZED BY FRANK AND SINCERE LANGUAGE. HE BELIEVED IT WAS NOT PRODUCTIVE TO COMPARE ABSOLUTE CONTRIBUTIONS BY VARIOUS ALLIES WHICH DID NOT HAVE EQUAL POTENTIALS. HE NOTED, HOWEVER, THAT ITALY CONTINUED TO RUN A SMALL BOP DEFICIT WITH THE US. HE THANKED SCHLESINGER FOR HIS INTERPRETATION OF JACKSON-NUNN WHICH RECOGNIZED THE VALUE OF EUROPEAN EFFORTS TO CONTRIBUTE MORE TO THEIR OWN DEFENSE. HAD THIS BEEN UNDERSTOOD PRIOR TO THE EUROGROUP MEETING, IT MIGHT HAVE BEEN POSSIBLE TO FIND A COMMON POSITION ON THE BURDENSARING ISSUE. HE WAS PLEASED THAT THE US BOP WAS IMPROVING AND INDICATED CONCERN AS TO THE PUBLIC RELATIONS ASPECTS OF ANNOUNCING AN INCREASE IN DEFENSE SPENDING DURING A PERIOD CHARACTERIZED AS "DETENTE" IN ORDER TO RECTIFY IMPROVING US BOP. HE HOPED, THEREFORE, THAT MOST OF CONFIDENTIAL

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THE ALLIED INCREASED DEFENSE EXPENDITURES COULD BE DEVOTED TO INCREASING NATO'S SECURITY AND IMPROVING THE BALANCE OF ITS FORCES AGAINST THOSE OF THE WARSAW PACT. ITALY COULD AGREE TO A SOLUTION TO THE US PROBLEM INVOLVING THE INFRASTRUCTURE PROGRAM PERHAPS THROUGH A NEW EDIP. PERM REPS SHOULD BE INSTRUCTED TO STUDY SUCH POSSIBILITIES.

9. LUNS SUMMED UP THAT ALTHOUGH ONLY A STATEMENT OF GOOD INTENT COULD BE MADE AFTER TODAY'S MEETING, THERE HAD BEEN A USEFUL DISCUSSION. HE WAS PARTICULARLY ENCOURAGED THAT SCHLESINGER HAD STATED THAT BURDENSARING SHOULD NOT RESULT IN A SLACKENING OF NATO DEFENSE EFFORTS. MINISTERS HAD NOTED WITH APPROVAL THE STATEMENTS OF SOME OF THE MINISTERS CONCERNING THEIR WILLINGNESS TO PARTICIPATE IN CERTAIN OF THE SOLUTIONS PUT FORWARD IN THE WORKING GROUP STUDIES. THERE WAS AGREEMENT TO MAKE SUBSTANTIAL PROGRESS TOWARD ACHIEVING A NATO SOLUTION TO THE BURDENSARING PROBLEM BY MID-FEBRUARY AND THAT EUROPEAN

DEFENSE IMPROVEMENTS MIGHT BE AN IMPORTANT ELEMENT IN
SUCH A SOLUTION. SEVERAL MINISTERS HAD ANNOUNCED SUBSTANTIAL
INCREASES IN MILITARY PROCUREMENT IN THE US, AND ALL AGREED THAT
A SATISFACTORY SOLUTION SHOULD BE FOUND TO THE US BOP AND
BUDGETARY PROBLEMS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 02 APR 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NATO06006
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS 12-31-79
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1973/newtext/t19731255/abqceduy.tel
Line Count: 279
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by elyme>; APPROVED <15-Oct-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DPC MINISTERIAL MEETING DECEMBER 7, 1973: AGENDA ITEM VI, FINANCIAL PROBLEMS ARISING FROM THE STATIONING
OF UNITED STATES FORCES IN EUROPE
TAGS: PFOR, NATO
To: STATE
SECDEF INFO ALL NATO CAPITALS
MADRID
USCINCEUR
USNMR SHAPE
USLOSACLANT

CINCLANT

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005